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29 January 1957

MEMORANDUM FOR: Alien Branch, Office of Operations

ATTENTION: [REDACTED] 25X1A9a

THROUGH: Chief, Industrial Division

THROUGH: Chief, Intelligence Information Staff

FROM: Chief, Military Economics Branch

SUBJECT: Requirements for [REDACTED] 25X1X6

1. Although the source's preliminary report was of interest and useful, it left the impression that he does not have sufficient information of the type required by the branches submitting these requirements (I/ME and I/WA) to warrant any changes in his departure. However, since the information sought is of importance it would be desirable to serve the requirements as soon as possible, preferably before he leaves, on the chance that he does possess such knowledge.

2. Both branches have previously submitted requirements for this source (based on an St/I/R memorandum dated 10 December 1956). Those that follow, while similar in coverage, have been oriented to reflect the source's preliminary report.

3. The requirements, below, are divided into two parts: Part I is essentially devoted to broad financial questions; Part II to specific weapons and plants.

#### Part I. Finance

These questions deal primarily with the Hungarian system. In any instance where the source can provide comparable information for the USSR he should do so.

1. How are Hungarian military activities financed? Be specific. For example: a) what are the sources of funds for the Hungarian military? b) What budget categories include funds for the Ministry of Defense? c) How are Ministry of Defense purchases from the Hungarian armaments industry financed? d) Are all goods and services received by the Ministry of Defense purchased?

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2. How is research and development financed? What are the sources of funds and is there any relationship between the source of funds and the type of research and development the funds support? Are research and development expenditures reflected in prices of finished military end items or other products?
3. How are the prices of military end items determined? What elements of cost (including profits and taxes) are covered? Are productivity gains over time reflected in prices and, if so, how?
4. Do trade prices for military goods differ from internal prices? If so, what accounts for the differences? At what rates of exchange is Soviet-Hungarian trade in military end items effected?
5. Are there any differences in prices to the military and to civilians for the same commodities? If so, what are the bases of these differences - e.g., reduced taxes, exclusion of some elements of cost?
6. Are those military personnel on duty at plants on the payroll of the plant, the Ministry of Defense, or both?
7. Does the Ministry of Defense own and operate any plants? If so, how are the operations of the plant financed? For example, are plant funds included in the Ministry of Defense's budget or in the appropriations for industrial activity? What financial arrangements exist for turning over finished products to the Ministry of Defense - e.g., is there a transfer of funds, how are prices established?
8. What is the extent of reparations and occupation costs? How are they handled in national accounts?
9. Indicate specific prices of military end items and whether Hungarian prices differ from Soviet prices. If differences exist, what accounts for them?

## Part II. Weapons and Ammunition Plants

### A. General Requirements

1. What types and sizes of weapons and ammunition are produced in the individual factories? (Specify whether these items are of Hungarian or Russian design.)
2. What are the rates of production of these items? Give year of information.
3. What are the costs of production and/or the prices for which these items are sold? Give year of information. (Do not include fuses. Source has already supplied this.)

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B. Specific Requirements

1. Has the Fegyver Gyar plant in Budapest ever been known by another name?
2. On what does source base his information that the Godolloi Jarmu Javito assembles tanks? On what does source base his estimate of production? Is it possible that plant is engaged only in tank repair? What parts are produced in the plant? What parts are imported from other plants? Give layout of the plant. Name of director and other leading personalities. Give date source visited plant.
3. Is an artillery-tractor (prime mover) produced at the Auto Gyar in Csepel?
4. What is the exact location of the Altra plant in Budapest?
5. Give the number of pieces in a "lot" or "batch" (Russian term "partiya") for any ammunition or ammunition components - complete rounds, fuzes, primers, cartridge cases, shells, hand grenades, etc. Specify whether these were Hungarian or Russian technical specifications.
6. Any information as to the use of materials other than brass for military ammunition - cartridge cases or driving bands? Were brass or steel cases used for small arms ammunition intended for military use?

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